

VZCZCXRO7511
PP RUEHGI RUEHMA RUEHROV
DE RUEHNJ #0519/01 3151334
ZNR UUUUU ZZH
P 101334Z NOV 08
FM AMEMBASSY NDJAMENA
TO RUEHC/SECSTATE WASHDC PRIORITY 6567
INFO RUCNFUR/DARFUR COLLECTIVE PRIORITY
RUEHTRO/AMEMBASSY TRIPOLI PRIORITY 0503

UNCLAS SECTION 01 OF 02 NDJAMENA 000519

SIPDIS
SENSITIVE

TAGS: [ECON](#) [EFIN](#) [PREL](#) [EPET](#) [IBRD](#) [UN](#) [IMF](#) [PGOV](#) [FR](#) [CD](#)

SUBJECT: WORLD BANK ENDS CHAD VISIT ON HIGH NOTE, POINTING TOWARD
"NORMALIZATION" OF BANK-CHAD RELATIONS SOON

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SUMMARY

¶1. (SBU) The World Bank delegation finished its visit to Chad on a high note, if not the highest possible note, this week. In a presentation to the diplomatic corps November 7 by the GOC Ministers of Finance and Economy and the Bank delegation head, the visit was portrayed as "positive" and "constructive," and Bank officials stressed that the Bank was still involved in projects in Chad outside the petroleum sector; would continue with those and consider new ones; and all but promised that the Bank would reopen its office in Chad with a permanent resident representative soon. The Bank's review of Bank-funded projects, GOC performance in priority sectors, and public finance management discovered many "areas for improvement." But according to the Bank team both publicly (and privately) there would be an attempt to "normalize" its relationship with Chad in the near future. We think that the delegation will recommend that the Bank re-open its N'Djamena office, thereby "normalizing" relations with Chad. That would be the occasion for the Prime Minister to plan to visit Washington, as he long has wanted to do. We will see later this week what the IMF delegation, which is already in town, can do on its end to bring Chad into better synchronization with the IFIs. END SUMMARY.

¶2. (SBU) Ambassador and Acting POLOFF attended a presentation late November 7 chaired by the GOC Ministers of Finance (Gatta Ngoulou) and Economy (Ousmane Matar Brema), and the head of the World Bank's visiting delegation, Kathryn Hollifield. The 15-person Bank delegation has been here since October 26 to dialogue with the GOC on all aspects of the Chad-Bank relationship (reftel). The delegation was joined this week by the Bank's Country Director for Central Africa, Mary Barton Dock, resident in Yaounde and former resident representative in Chad. The meeting, called at the last minute, was not especially well attended, but key partners besides the United States -- UNDP, France, Germany, Switzerland -- were represented by their chiefs of assistance programs.

¶3. (SBU) The Ministers and Hollifield briefed on the facts and findings of the visit. The overall objective of the Bank's visit was "to evaluate the progress that the GOC had made in the area of concrete results in the priority development sectors, especially the areas in which the Bank had invested." There were four specific objectives: Review Bank-financed projects; evaluate progress made in priority sectors; evaluate the GOC's management of public spending, as well as the linkage between the budget, the second National Strategy for Poverty Reduction (NSPR), the Medium Term Expenditure Plan, and priority action plans of line ministries in terms of the execution of the 2008 budget and the preparation of the 2009 budget; and review future plans for Bank-financed projects.

14. (SBU) The Bank's review found many areas for improvement. For example, in Bank-financed projects, the review found that the special accounts of completed projects had not been properly reconciled between the Bank and the GOC. In Priority Sector performance, the Bank's scrutiny of coordination between the Infrastructure Ministry and the "line ministries" -- health and education -- revealed very high construction costs for schools and clinics (leading it to recommend a study of these); irregular payment and training of teachers; and "dispersion of responsibility" among the various ministries involved in Rural Development. Also in Priority Sector performance, the Bank found deficiencies in the urban development, telecommunications, and energy (electricity) sectors. Finally, on Public Finances, the Bank's review highlighted: The "explosion" of civil and military salaries that now consume all the GOC's non-petroleum revenues; the massive GOC subvention of the electric company STEE and the cotton monopoly Cotontchad; questionable public investment practices in general; and the fact the nearly half of GOC spending in 2008 was outside the parameters of the state's own budget. Despite all the problems they discovered, the Bank delegation pronounced itself satisfied with the cooperation of GOC officials in this review and expressed confidence in the ability and apparent willingness of the GOC on the working level to address deficiencies.

COMMENT

15. (SBU) The Bank's public posture tracked with what Barton Dock and Hollifield told the Ambassador privately earlier this week, as the delegation's work was proceeding. We think that the delegation will recommend that the Bank re-open its N'Djamena office, thereby "normalizing" relations with Chad. We will see later this week what the IMF delegation, which is already in town, can do on its end to bring Chad into better synchronization with the IFIs. We believe

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that only after Chad and the Bank "normalize" relations will the Prime Minister plan to visit Washington.